



NEW PPP Forgiveness Application for Amounts Under \$50,000: **Form 3508S**

For business who received less than \$50,000 in PPP funding, forgiveness just got even easier. The SBA eliminated two key tests that businesses previously had to meet to receive 100% forgiveness. Businesses that received less than \$50,000 no longer have to:

1. Make any calculation for changes in FTE (Full Time Equivalent Employees). The new 3508S form still asks businesses to show FTEs at the time of the application for the loan and at the time of the request for forgiveness but this calculation now has no bearing on the amount of forgiveness the business will receive. This means these businesses can have experienced a decline in FTE count and the amount of forgiveness they qualify for will not be reduced.
2. Make a calculation for any reduction in hourly wage or salary for individual employees. We don't believe many businesses will experience this problem. But now, if the business received less than \$50,000 and reduced hourly wages or salaries for an employee or employees it no longer matters.

What do businesses still have to do to receive forgiveness?

1. Businesses still have to provide their lender with documentation of how the money was spent. The rules on acceptable documentation are largely unchanged but specific requirements may vary from lender to lender.
2. You can still not seek forgiveness for payroll to any individual that was at a rate in excess of \$100,000 on an annualized basis.

What remains unknown?

Besides smaller technical issues that will only impact a small percentage of businesses, the largest unknown remains how forgiveness will be treated from a tax perspective. The current IRS ruling is that while the PPP forgiveness does not have to be treated as taxable income, the business cannot deduct the forgiven expenses from their tax filings. This effectively increase the taxable income of the business by the amount of the forgiven expenses, thus rendering them as a taxable event. There is a significant amount of speculation that Congress will move to change this, but for now the IRS ruling is the law of the land.

The new application 3508S application can be found on the following site under the heading "For Borrowers:" <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>.